

Social Security Age Creep and UAW-GM Contracts

Whenever a contract is front-loaded, beware the busy little backhoe with the smiley face. It's not loading a dump truck destined for any worker's bank account.

Most UAW members understand that profit sharing promises and signing bonuses are warning signs not down payments. Whatever the company gives upfront will be taken off the backend tenfold.

But future retirees should also beware of Social Security Age Creep, a phrase which insinuates either the loathsome gait of osteoporosis, or the sneaky trait of those who would defraud senior citizens.

In either case, be forewarned: the upcoming UAW-GM contract highlights may not include some important information one needs about retirement benefits. So ask the right questions.

UAW-GM agreements require retirees to begin collecting social security at age 62 if they retire early. Since the age of full social security benefits is creeping up from 65 to 67, and perhaps even higher if the frauds in Congress get their way, the amount that UAW-GM retirees may lose accrues accordingly.

Here's how it works. If you begin collecting benefits before you reach full retirement age, Social Security will reduce your payments. For example, if your full retirement age is 66 and you start drawing benefits at age 62, your monthly benefit will be about 25% less than if you waited until age 66. The percentage creeps up as your full retirement age [FRA] creeps up.

Pat UAW-GM contracts included a "social security age creep patch" which helped make up the difference. But the patch is only negotiated for those who will become eligible to collect social security (turn 62) within that four year contract. *It may or may not be renegotiated this year.*

In other words, if you retire from GM this year, you may not receive the social security age creep patch which previous retirees got. You'll have to ask at the information meeting and *get it in writing.*

Here's how the age creep patch works. When a UAW-GM retiree begins collecting social security, the supplement to his or her pension ends. But the patch allows the retiree to collect *both* social security and the supplement for one year. It's like a double dip on the house. It helps offset the loss caused by social security age creep, that is, the advance of full retirement age from 65 to 67.

It's important that you learn exactly what your benefits will be before you make a decision. If you choose to retire this year and you are less than 58 years old, there is no guarantee that the social security age creep patch will be renegotiated in 2015. In fact, if the company and the union agree to shift pensions to a cash balance plan, you probably won't be considered worthy of attention.

Another point to consider is the viability of the UAW-VEBA, a health care trust for retirees. Originally, it was funded at about 70% of projected liabilities. After the bankruptcy, estimates were 50% of liabilities. Who will make up the difference? Unless the VEBA administrators hit the jackpot, retirees face steadily increasing out of pocket expenses. For example, a current retiree pays \$103 for dental coverage for themselves and a spouse, plus another \$7 for vision coverage per month. On top of that a couple pays a \$30 per month premium for health insurance. That's \$140 per month (\$1680 per year) and counting. Increases in premiums, deductibles, and copays are not negotiable but they are inevitable.

This year, retirees in Michigan were surprised when the rules were changed *after* they made their decision to retire. Thanks to Republican Gov. Dick Snyder and his Tea-publican cohorts who profess to oppose taxes, retirees will now pay taxes on their pensions. Is it fair? Sure, if you change the rule *before* people retire, *not after*. This is what retirees should expect. Congress is out to protect the rich and tax the poor.

Prospective UAW-GM retirees deserve accurate information and detailed explanations to their questions about retirement benefits. Get ready. For more information www.bcbmonitor.com

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